

Exhibit B

KARNEI - 11/18/21

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re: Chapter 11

BRAZOS ELECTRIC POWER
COOPERATIVE, INC.

Case No.
21-30725 (DRJ)

Debtor.

BRAZOS ELECTRIC POWER
COOPERATIVE, INC.

Plaintiff

vs.

Adv. Proc. No.
21-03863 (DRJ)

ELECTRIC RELIABILITY
COUNCIL OF TEXAS, INC.

Defendant.

VIDEOTAPED ORAL DEPOSITION OF

CLIFTON KARNEI

Waco, Texas

November 18, 2021

Reported by: Susan S. Klinger, RMR-CRR, CSR

Job No. 202442

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2 I'm an expert on behalf of ERCOT retained
3 by Munsch Hardt.

4 CLIFTON KARNEI,
5 having been first duly sworn, testified as
6 follows:

7 EXAMINATION

8 BY MR. ALIBHAI:

9 Q. Good morning.

10 A. Good morning.

11 Q. My name is Jamil Alibhai. I
12 represent ERCOT.

13 Can you please state your name for
14 the record?

15 A. My name is Clifton Karnei.

16 Q. Mr. Karnei, have you ever been
17 deposed before?

18 A. Yes, I have.

19 Q. How many times have you been
20 deposed?

21 A. I don't know the exact number,
22 probably more than 10.

23 Q. You understand that the oath you
24 took today is the same oath as you would take
25 as if you were testifying in front of Judge

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2 you say, 1 billion is not enough?

3 A. He called me during the event --
4 let's see what day was this -- and I believe he
5 had -- I don't see it on this -- had sent a
6 text joking, can I send you a billion dollars,
7 and I responded, 1 billion is not enough. But
8 I don't see his previous text.

9 Q. I'm showing it to you as I -- as I
10 received it.

11 A. Okay.

12 Q. But you think that this text
13 exchange starts with him asking whether he
14 could send a billion dollars?

15 A. I would guess so, based on my
16 response.

17 Q. And as of February 18th, you knew
18 that the cost of energy that had been purchased
19 and used to serve the Brazos load would cost
20 more than a billion dollars?

21 A. Yes.

22 Q. When did you determine that Brazos
23 would not be able to pay for the energy that it
24 was purchasing from the ERCOT market?

25 A. I don't recall an actual time when I

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2 determined that. I became concerned about it
3 probably on Monday or Tuesday.

4 Q. And if we look back at that last
5 text that we were looking at --

6 A. Which exhibit number?

7 Q. 21 -- that was around noon on the
8 15th; correct?

9 A. That's correct.

10 Q. And you were already concerned about
11 the cost?

12 A. Yes.

13 Q. And do you recall, and I just don't
14 remember what you told me this morning, when
15 Brazos had drawn down on the entirety of its
16 Bank of America line of credit?

17 A. I believe we posted that with ERCOT
18 on Friday, the 12th.

19 Q. The 12th.

20 A. It could have been the 11th, but I
21 recall Friday, the 12th.

22 Q. And -- and I'll try to find some
23 documents about this, but was it not the case
24 that on the 12th, you were discussing how much
25 to post with ERCOT?

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2 had no additional line of credit availability;
3 is that correct?

4 A. That is my recollection.

5 Q. And you told me, and correct me if
6 I'm wrong, that there was \$100 million cash on
7 hand. Was that on Monday, or were you
8 referring to some other period of time?

9 A. I believe it was in excess of
10 \$100 million, and that would have been on
11 Monday.

12 Q. That is the 15th of February;
13 correct?

14 A. Correct.

15 Q. And so by the 18th, based on your
16 text message with Mr. Dolgoff, you knew that
17 the liabilities to ERCOT at least were over a
18 billion dollars; correct?

19 A. Correct.

20 Q. And so my question was, and if you
21 answered, I apologize for reasking, was there a
22 time between the 15th and the 18th that Brazos
23 determined that it did not have the funds to
24 pay what was going to be the settlement
25 invoices from ERCOT?

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2 A. I don't remember an exact time, but
3 it would have been somewhere Tuesday,
4 Wednesday, because my recollection is we had
5 fully drawn the line of credit as well as the
6 Bank of Tokyo CD.

7 At some point during that, ERCOT
8 swept our collateral. I don't remember when
9 that was, and so at that point in time, all we
10 had left was the cash in the bank.

11 Q. And the cash in the bank is the
12 excess of \$100 million you're talking about?

13 A. Yes, sir.

14 Q. And so when Brazos was down to
15 \$100 million, no line of credit, and the
16 collateral had been swept at ERCOT, what was
17 Brazos' plan to pay the settlement invoices for
18 the coming days that it was continuing to
19 purchase energy in the real-time market?

20 MR. BAAY: Objection to the form.

21 A. We were looking at the invoices when
22 they were coming due, and realized we were not
23 going to be able to pay them.

24 Q. And my question is a little bit more
25 specific. So let's say it is February 18th.

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C E R T I F I C A T E

I, SUSAN S. KLINGER, a certified shorthand reporter within and for the State of Texas, do hereby certify:

That CLIFTON KARNEI, the witness whose deposition is hereinbefore set forth, was duly sworn by me and that such deposition is a true record of the testimony given by such witness.

I further certify that I am not related to any of the parties to this action by blood or marriage; and that I am in no way interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set my hand this 18th of November, 2021.



Susan S. Klinger, RMR-CRR, CSR

Texas CSR# 6531